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9 May 1951

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Action Proposed as a Result of a Survey of the  
Requirements, Facilities, and Arrangements of  
the United States Government for Foreign Economic  
Intelligence Relating to the National Security

1. Attached is a draft of a report from the Central Intelligence Agency to the National Security Council in compliance with NSC Action 282. This draft was prepared with the collaboration and assistance of representatives of the intelligence components of the Departments of State, Army, Navy, and Air Force.

2. It is proposed that prior to the submission of this report to the National Security Council, the Intelligence Advisory Committee concur in the proposed NSCID (Tab B - tabbed in red) and in the establishment of an Economic Intelligence Committee according to the recommendation contained in Tab A (also tabbed in red).

3. The remainder of the draft report is forwarded for your information.

JAMES Q. REBER  
Secretary  
Intelligence Advisory Committee

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~~IAC-D-22~~

9 May 1951

CENTRAL INTELLIGENCE AGENCY  
Washington 25, D. C.

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12204

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

FROM : The Director of Central Intelligence

SUBJECT: Appraisal of Foreign Economic Intelligence Requirements,  
Facilities, and Arrangements Related to the National  
Security

1. In accordance with the instructions of the National Security Council in NSC Action 282, the Central Intelligence Agency has conducted a study of foreign economic intelligence requirements relating to the national security and of the facilities and arrangements currently employed for meeting those requirements.

2. As the study has progressed, both the requirements and the facilities and arrangements have been changing in response to changes in the international situation and in the organization of various agencies of the Government.

3. It is believed that the facilities and arrangements now in effect or contemplated by the various agencies will go far toward providing the basis for the adequate coverage of economic intelligence relating to the national security whose lack prompted NSC Action 282. The Central Intelligence Agency itself is engaged in strengthening its work in economic intelligence production as a service of common concern. The Office of Research and Reports has been established to coordinate the economic intelligence activities of other agencies and to produce such economic intelligence as is not otherwise allocated.

4. For reasons explained in Tab A, it is believed that it is neither practicable nor desirable to recommend at this time a formal allocation by the National Security Council of responsibility for economic intelligence production among the various agencies.

5. What is immediately needed is machinery to insure regular procedures whereby (1) the full economic knowledge and technical talent available in the Government can be brought to bear on specific issues involving the national security, and (2) important gaps in the collective economic knowledge of the Government can be identified on a continuing basis and responsibility for filling them be allocated as they are disclosed.

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6. To meet this need, the Director of Central Intelligence proposes, with the concurrence of the Intelligence Advisory Committee, to establish an Economic Intelligence Committee. Terms of reference for this committee are described in Tab A.

7. To clarify the role of the Central Intelligence Agency in the coordination and production of economic intelligence, it is recommended that the National Security Council issue the attached proposed NSCID (Tab B). It would be desirable to invite the Economic Cooperation Administration and the Department of Commerce to sit with the National Security Council when this document is being considered.

8. It is further recommended that the National Security Council call to the attention of the relevant agencies of the Government the urgency of a collaborative effort to exploit the intelligence resources of the Government for security purposes. A draft of a proposed communication from the National Security Council asking that high priority be given to requests for cooperation from the Economic Intelligence Committee is attached (Tab C).

9. The Director of Central Intelligence will keep under continuing review the arrangements of the United States Government for the production of economic intelligence and will make further recommendations concerning specific allocations of responsibility should this appear desirable at any time in the future.

WALTER B. SMITH  
Director

Attachments  
Tabs A, B, and C

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TAB A

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

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CENTRAL INTELLIGENCE AGENCY  
Washington 25, D. C.

003  
12284

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

FROM : Director of Central Intelligence

SUBJECT: Proposed Economic Intelligence Committee

1. The action proposed in this report is in partial fulfillment of the requirements of the memorandum of March 3, 1950, from the Executive Secretary of the National Security Council to the Director of Central Intelligence (Appendix A). This memorandum requires the study of economic security intelligence requirements and of existing facilities and arrangements for meeting them throughout the Government, and the formulation of a comprehensive plan for satisfying the foreign economic intelligence requirements of national security and for coordinated interagency effort to this end.

2. Foreign economic data are now regularly collected and analyzed by some twenty-four agencies of the Government. The nature of such data, the facilities for collection and analysis, and the purposes for which they are sought and used are summarized in Appendix C. A more detailed survey of facilities and arrangements is in preparation. This diverse flow of information has been generated to meet the operating or other responsibilities of these several agencies. Much of this information and analytic competence is relevant to one economic aspect or another of national security. One major weakness in existing arrangements is that no adequate machinery exists for the mobilization of the available data and analytic competence around security problems.

3. The first aim of the proposed plan is, therefore, to ensure regular procedures whereby the full knowledge and technical talent available throughout the Government can be brought to bear on specific issues involving the national security. The character of these issues is discussed and illustrated in Appendix B.

4. Another major weakness in existing arrangements is that despite the number of agencies concerned, and the scale of the flow of intelligence data, there are important gaps in the collective knowledge of the Government. Such gaps arise in part from the lack of regular

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procedures for identifying and filling them, on a high priority basis, through the various existing channels for collection and analysis. The second main aim of the proposed plan is, therefore, to institute procedures for identifying and filling the most important of these gaps in our knowledge.

5. This report attempts no catalogue of specific gaps and hence can offer no detailed appraisal of the adequacy of the facilities of individual agencies for filling such gaps. The many facilities now available are not being effectively utilized in the solution of national security problems because no procedures currently exist for coordinating their use. It is believed that the plan herein proposed will serve to identify gaps individually on a continuing basis as they are revealed in a coordinated intelligence effort. Where inadequacies in facilities become apparent from this joint effort, continuing machinery is needed to insure that recommendations are forthcoming for improvement.

6. One way of approaching the task of preparing a comprehensive plan, as directed by the National Security Council, would be to try to divide the problems and the data into broad categories and to propose a general allocation of responsibility for each category of problem or type of data to a particular agency. It is believed that a formal allocation of responsibility of this kind is neither desirable nor practical at this time for the following reasons:

a. General responsibility for the production of economic intelligence cannot be assigned to any one agency since virtually all the agencies now producing such intelligence have an operating need for it in the discharge of their central mission.

b. As will be evident from an inspection of Appendix B, responsibility cannot be permanently allocated on the basis of the problems to be solved, since (1) the problems are continually changing with changes in the international scene; and (2) most of the important problems requiring economic intelligence for their solution are of direct operating concern to two or more agencies.

c. Formal allocation cannot be made on the basis of skills required or techniques to be employed since in virtually every case more than one agency requires, for its own purposes, people with the particular skill in question.

7. Therefore, what is needed is a continuing machinery for insuring that the available economic intelligence resources are mobilized around

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security issues, including requirements for mobilization planning, problem-by-problem, and that where adequate economic intelligence on a particular security issue is not being provided by any agency, responsibility for its provision will be clearly allocated.

8. In the light of these considerations, it is proposed that a committee be established whose principal duty it would be to bring to bear, around concrete, major security issues, the combined economic intelligence resources of the Government. In the course of such selected and concerted studies, it is proposed that explicit attention be given to:

- a. Major gaps and weaknesses in data and analysis
- b. How these defects should be remedied
- c. Who should have responsibility for the required action.

Effective coordination among the agencies concerned can only be achieved by selective common effort, focussed on practical and urgent problems.

9. The gravest threat to the security of the United States and to the whole free world within the foreseeable future stems from the hostile designs and formidable power of the USSR and from the nature of the Soviet system. It is proposed, therefore, that the first critical studies to be carried out should relate to major aspects of the problem of strengthening the relative position of the non-Soviet world in the struggle against the Soviet bloc. Appendix B includes by way of illustration a discussion of various problems of this character, which might be suitable for such combined critical study.

10. Recommendations - In the light of the above, approval of the Intelligence Advisory Committee is requested for the following action:

- a. The Director of Central Intelligence shall establish an Economic Intelligence Committee, on which shall sit permanently representatives of those agencies charged with primary responsibility for national security intelligence, i.e., the Departments of the Army, Navy, Air Force, State, the Joint Chiefs of Staff, and the Central Intelligence Agency. Any other agency whose interest or competence may be relevant to the particular problem under examination may be invited also to sit with the Economic Intelligence Committee.

- b. The Assistant Director for Research and Reports, Central Intelligence Agency, shall serve as Chairman of the Economic Intelligence Committee, and he shall supply the secretariat.

c. The Economic Intelligence Committee shall:

(1) Arrange concerted economic intelligence support, on selected major issues, for studies of interagency interest requested by the Intelligence Advisory Committee, the Joint Chiefs of Staff, etc.

(2) Mobilize the data and analysis available, relevant to appropriate operating problems of any member agency requesting assistance, or of any other agency dealing with economic security problems, which may request assistance.

(3) Examine continuing programs of fundamental economic research relating to the national security throughout the United States Government and recommend allocation of responsibility for specific fields of inquiry where such allocation appears appropriate.

(4) Review and report, from time to time, on the pertinence, extent, and quality of the data and analyses available, bearing on the issues analyzed.

(5) Recommend to the member agencies priorities and allocation of responsibilities for the collection and analysis to fill specific gaps in the economic intelligence needed for national security.

(6) Maintain a continuing review of the foreign economic intelligence activities of the United States Government as they relate to the national security.

(7) Make such special reviews of economic intelligence distribution and processing procedures as may appear useful, and make recommendations for improvement to the Intelligence Advisory Committee, which shall have responsibility for instituting such action as it may judge appropriate.

d. In carrying out its responsibilities, the Economic Intelligence Committee may set up such subcommittees and working parties as may be judged necessary.

e. When any member agency is unable to accept a recommendation of the Committee, the matter may be referred to the Intelligence Advisory Committee. All agencies directly concerned shall be asked to sit with the Intelligence Advisory Committee for the consideration of such questions.

WALTER B. SMITH  
Director

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